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From: Glisan, Ben
Sent: Tuesday, August 07, 2001 12:24 PM
To: Walls Jr., Rob; Cline, Wade; Hughes, James A.; Lundstrom, Bruce
Cc: Glisan, Ben
Subject: Draft Agenda - Skilling/Lay meeting

Looks like a novel.



Dabhol Update
Agenda.doc (28 K...

Ben

Dabhol Update Agenda
August 8, 2001

- **Deal Team Objectives**

- Minimize additional capital exposure
 - Termination of Construction Contracts
 - Rescission of PPA
- Recover existing Investment
 - Pursue contractual/legal remedies
 - Commercial Settlement
 - Restructure
 - Buyout
 - Collect on Political Risk Policies
 - OPIC coverage
 - Commercial coverage

- **Deal Team Paths**

- Commercial Team
 - Asset Preservation
 - Cash Conservation
 - GOI/IFI Communication
 - Project coordination
 - Buyout/Restructure Discussions
- Legal Team
 - Pursuit of legal remedies
 - Termination and Transfer
 - Litigation and Arbitration
 - Implementation of defense strategy
- Finance Team
 - Management of bank group
 - Consents for Termination and Transfer
 - Termination of construction contracts
 - Termination of ship charter
 - Utilization of bank group to apply pressure
 - Participation in Supreme Court and High Court
 - Discussions with MSEB and GOI
 - JBIC threats to IFI's
 - Utilization of bank group to back channel advice

- **Project Update (15 minutes)**
 - Group Dynamics
 - Offshore Lenders
 - IFI's
 - OPIC
 - JBIC
 - OND and USExim
 - LNG suppliers
 - LNG ship
 - Group Tasks
 - Approval of Asset Preservation Plan (Cash conservation)
 - Execution of standstill agreement
 - GOI meetings
 - Next Areas of Focus
 - Additional Preliminary Termination Notices
 - Agreement on timing of the issuance of the Transfer Notice
 - Acceptable buyout/restructure terms and conditions

- **Funding Requirements (5 minutes)**
 - Mothball Costs
 - Legal Costs
 - Sharing Ratio and means of funding
 - Exposure to Contingent Equity

- **Buyout Discussion (20 minutes)**
 - Expected timing (Week of 20th or 27th)
 - Expected proposal
 - 25% discount to funded equity
 - Assume that offshore lenders will stay in the project
 - Assume that all contracts (construction, LNG and ship charter) will be replaced
 - All in tariff of **approximately 3 rupees**
 - ENE Exposure as of June 30 (total of \$1,135)
 - Funded Equity of \$622 million
 - Retained Earnings of \$110 million
 - Deferred Costs of \$141 million
 - EE&CC receivable (net) of \$ 16 million
 - EE&CC liability to subs of \$164 million
 - Other costs of \$ 82 million
 - ENE P&L Exposure
 - Anticipated bid of 75% of funded equity implies a loss of \$452 million (assumes recovery of construction costs and reduction of tax liability)
 - If we recover 50% of construction costs and incur a portion of the tax liability then the exposure would grow to approximately \$560 million
 - Recommendation on counter-proposal strategy
 - Obtain a signed MOU as quickly as possible (while incomplete, it will establish the basis for the ultimate deal)
 - Should focus on buyout price broken out into components
 - Invested capital and retained earnings
 - Earned but unpaid construction costs
 - Note that ultimate buyout will need to involve the offshore lenders, but defer that negotiation (concerned about sticker shock)
 - Endeavor to renegotiate project agreements
 - Initial concession should not be to discount price but rather to finance a portion of the buyout
 - Defends against asset impairment
 - Probably required as the offshore lenders will want to be taken out and the IFI's probably do not have the liquidity of orchestrate a total recap
 - Lenders will not allow equity to take out cash unless they receive a pro-rata share
 - Maintain legal pressure
 - Guidance on level of flexibility on terms of note or size of discount if opportunity arises
 - Recommend that we are willing to concede a discount to equity but fight to preserve collection of construction fees
 - Probability of recovering any shortfall through PRI

- **Highlights of Defense Strategy (15 minutes)**
 - To be filled in this pm, should include recommended path and point out items that are aggressive as well as the points we deemed too aggressive
 - Discussion on Intellectual Property
 - Litigation Update (GOI, GOM, MSEB)

- **LNG Vessel (5 minutes)**
 - Lenders have asked equity to infuse additional capital
 - We have refused
 - Likely result will be either foreclosure or a Mitsui led recap
 - Implications to Dabhol
 - Creates uncertainty
 - Probably an economic benefit
 - Implications to Enron
 - Book loss on the investment in the ship
 - Project stakeholders will ultimately require a ship
 - ENE may utilize capacity of one of its vessels